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By JK	4/21/16

Annex 3

## CURRENT SITUATION

## A. INTERNAL ECONOMIC SITUATION

During 1963 the Cuban economy is continuing on the declining trend that began in 1960-61. Production of sugar from the current harvest as of March 30, 1963, was an estimated 2.2 million metric tons, compared to 2.7 million tons in 1962 and 4.3 million tons in 1961 at the same date. The final crop is estimated at about 4 million tons, well under the low 4.8 millions in 1962, and only 60% of the 1961 production of 6.8 million tons. Production could be further reduced by new technical or political difficulties or by unseasonable rainfall. With unfavorable conditions, total production might drop to 3.6 million tons.

In 1962 Cuba's gross national production (GNP) was an estimated 25% below the 1958 level. Cuban GNP in 1962 was less than \$2,000 million (in 1958 prices), as compared to more than \$2,500 million in 1958. Cuba has been able to compensate for lagging output by imports from the bloc on credit, but probably had 20% less goods available in 1962 than in 1958. Che Guevara recently asserted that Cuba has reached "the lowest rung in the production of sugar" this year, and that errors in "sugar policy" have been rectified. However, the sugar economy and the economy in general seem to be far from recovering the efficiency and momentum lost in the Revolution.

The shortfall in available consumer goods is particularly serious because Cuban consumers have more money to spend. Despite rationing, extended from basic foodstuffs to clothing and shoes, the consumption of goods by the poorer classes has declined, and blackmarketing is widespread. In an attempt to stem inflation, the regime announced price controls on a wide range of goods and services in early April 1963, greatly extending the previous system also by controlling prices at producer, wholesale and retail levels. Distribution of foodstuffs has apparently improved somewhat. However, there is a widespread refusal to work manifested in a shortage of workers to harvest crops, inattention by labor to quality control, and work slowdowns and absenteeism. Many Cubans find poor performance a way of expressing anti-regime feeling, and others understand the Revolution to mean freedom from work.

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Meanwhile, Cuba is almost entirely dependent on the communist bloc economies. Cuban trade with the free world has declined to around 10% of imports and 20% of exports. Cuba will do well to deliver as much tonnage to the Free World in 1963 as in 1962, although export values could be greater because of higher world sugar prices. The bloc is continuing to supply essential goods to maintain the economy and is providing consumer goods on credit to compensate for the shortfall in Cuban exports. However, bloc aid for economic development is still largely in the planning stage. It has yet to have an effect in helping to restore the economic momentum lost in the Revolution.

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B. INTERNAL POLITICAL SITUATION

Four years after his ouster of Batista, Fidel Castro remains the unchallenged leader of Cuba. He is no longer the widely popular figure he once was, but his assets are more than sufficient to assure his control. Castro is still a compelling inspiration to the youth of the country and there are many Cubans--such as those in the bureaucracy--whose lives are now too closely identified with Castro to permit them to pull out. The security network established since 1959 is vast, well-ordered, and effective. While there is grumbling among the part-time militia, the regular military is overwhelmingly loyal to Castro, there having been few defections. Political life in the country has been for some time highly organized and the new state party (PUBS), involving some 50 to 60,000 people, is about ready to take over from its able predecessor, the ORI.

The mass of the Cuban people seem resigned to their situation and unwilling to accept the risks of open opposition to Castro. Internal resistance is still small-scale, and poorly coordinated and equipped. In recent months there has been some increase of resistance in the eastern provinces, but this is in part seasonal and related to opportunities presented to opponents of the regime by the lagging sugar harvest.

The missile crisis had little if any ill effect on Castro's situation within Cuba, even though it soured Cuban-Soviet relations for a time. On the contrary, the way in which Castro stood up to the Soviets and the US and got away with it probably bolstered his position at home. Moreover, developments with regard to the missile crisis seem to have made the old line, Moscow-oriented Communists more willing than before to accept Castro's leadership.

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